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MULTILATERAL INVESTMENT FUND

MEXICO

**FACILITATION OF ACCESS TO HOUSING FINANCE FOR
RECIPIENTS OF REMITTANCES**

(ME-M1006)

DONORS MEMORANDUM

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Proposed Resolution

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Comparative costs of originating mortgages in Mexico and abroad
Organizational structure of the Office of Housing Studies
Several studies on housing demand and remittances in Mexico
Law creating Sociedad Hipotecaria Federal
Internal Regulations of the Sociedad Hipotecaria Federal
Draft Agreement between SHF and INEA

ABBREVIATIONS

AHORROSIF	Periodic savings program to qualify for mortgage financing
BANSEFI	<i>Banco Nacional de Servicios Financieros</i>
CESI	Committee on Environment and Social Impact
CONAFOVI	<i>Comisión Nacional de Fomento a la Vivienda</i>
CU	Coordination Unit
FIEH	<i>Fuente Integral de Estadísticas Hipotecarias</i>
FONAEVI	<i>Fondo Nacional de Apoyo Económico a la Vivienda</i>
FONHAPO	<i>Fondo Nacional de Habitaciones Populares</i>
FOVISSSTE	<i>Fondo de Vivienda del Instituto de Seguro Social de los Trabajadores del Estado</i>
GDP	Gross Domestic Product
GOM	Government of Mexico
HFIs	Housing Finance Institutions
HTAs	Hometown Associations
IME	<i>Instituto de Mexicanos en el Exterior</i>
LAC	Latin America and the Caribbean
INFONAVIT	<i>Instituto del Fondo Nacional de la Vivienda para los Trabajadores</i>
NAFIN	Nacional Financiera, S.N.C.
NAFTA	North American Free Trade Agreement
OHS	Office of Housing Studies
OR	Operating Regulations
OREVI	<i>Organismos Estatales de Vivienda</i> [State Housing Institutes]
PEU	Project Executing Unit
RRH	Remittance Receiving Households
SHF	<i>Sociedad Hipotecaria Federal</i>
SOFOL	<i>Sociedad Financiera de Objeto Limitado</i> (non-bank financial institutions, some of which specialize in mortgage financing)
SRE	<i>Secretaría de Relaciones Exteriores</i> [Secretary of Foreign Affairs]

FACILITATION OF ACCESS TO HOUSING FINANCE FOR RECIPIENTS OF REMITTANCES

(ME-M1006)

EXECUTIVE SUMMARY

**Beneficiary/
Executing Agency:** *Sociedad Hipotecaria Federal, S.N.C.* [Federal Mortgage Company]
(SHF)

Amount and Source of financing:	Method of Financing		No reimbursable
	IDB/MIF (Facility I)	US\$	US\$1,700,000
	Local:	US\$	<u>US\$1,700,000</u>
	Total:	US\$	<u>US\$3,400,000</u>

Beneficiaries: The direct beneficiaries will be the 2,000 remittance recipient households (RRHs) that secure mortgages with the support of the project. It is expected that the project will demonstrate the viability of this market and will enable many more RRHs to obtain remittance-based mortgages (RBM) in the future. Moreover, 3,250 families that will be beneficiaries of receiving basic housing finance literacy courses. In addition, the Housing Finance Institutions (HFIs) interested in the originating RBMs will benefit from increased awareness and origination of mortgages, both through the direct beneficiaries as well as future originations.

Objectives: The project's general objective is to contribute to the increase in the origination of mortgages, housing microcredit loans, and house leasing in Mexico for RRHs. The specific objective is to establish a pilot mechanism in Mexico that demonstrates the feasibility of leveraging remittance flows for housing finance to Mexican families that receive remittances.

The three main program components are: (i) dissemination of the Government of Mexico's (GOM) RBM program and provision of financial literacy courses and information for RRHs interested in mortgage financing; (ii) technical assistance to RRHs to lower the costs of entry for signing cross-border, remittance-based mortgages and to SHF for the development of new financial products; and (iii) implementation of *Fuente Integral de Estadísticas Hipotecarias* (FIEH), incorporation of remittance-specific credit evaluation, and rigorous analysis of the performance of remittance-based mortgages.

**Execution
Timetable:** The project will be executed in 36 months, with a disbursement period of 42 months. The project funds will be disbursed by means of a revolving fund for advances, equivalent to 20% of the MIF contribution.

**Special
Contractual
Conditions:**

The first disbursement of the financing will be contingent on: (i) the selection and recruitment of the project coordinator; (ii) the entrance into force of the agreements between SHF and the *Instituto Nacional de Educación de Adultos* (INEA) and between SHF and the *Instituto de Mexicanos en el Exterior*; (iii) the approval and entrance into force of the Operating Regulations.

**Exceptions to
Bank policy:**

No exceptions are anticipated.

**Environmental/
social review:**

The Committee on Environment and Social Impact (CESI) approved the proposed project without comments at its meeting of November 5, 2004 (TRG 43-04).

**Coordination with
other Official
Development
Finance
Institutions:**

The Bank is co-financing a comprehensive reform program of the SHF with the World Bank. Many of the technological and risk management improvements to be leveraged by the project are the product of the respective World Bank and IDB projects.

I. BACKGROUND AND JUSTIFICATION

A. Migration and Remittances

- 1.1 International migration of workers is a long-standing phenomenon that has increased significantly in recent years. The globalization of labor markets is reflected in the increase of international migrants worldwide from approximately 75 million in 1965 to some 120 million in 2000. The United States has been one of the most significant recipients of foreign immigrants, and the most important country of origin of the immigrant flows is Mexico. U.S. Census data from 2000 suggest that the number of Mexican immigrants reached nearly 400,000 per year, more than 13 times higher than in the 1960s. Moreover, the number of Mexican immigrants in the US labor force nearly doubled between 1990 and 2000, increasing from 2.6 million to 4.9 million. The latter figure represents 3.5% of the US labor force, or nearly 25% of the foreign-born US labor force. Moreover, in certain economic sectors (e.g., farming), the percentage of Mexican participation in the labor force approaches 25%. Canada, the third partner in the North American Free Trade Agreement (NAFTA), also has an increasing population of workers of Mexican origin.
- 1.2 A salient feature of the increase in international migration and labor force participation is the attendant increase in worker remittances. Worldwide remittances flows surpassed US\$180 billion in 2004, but recent studies indicate that the extra-official flows not captured in official balance of payment statistics exceed US\$200 billion. Latin America and the Caribbean (LAC) received the largest portion of these global remittances in 2004--more than US\$40 billion. In that same year, official remittance flows to LAC exceeded the combined Foreign Direct Investment (FDI) and Official Development Assistance (ODA) to the Region, a watershed in the evolution of external finance for the region.
- 1.3 Mexican immigrants sent the single largest amount of remittances in the world in 2003 (US\$13.36 billion), approximately 40% of the total remittances to LAC. Moreover, according to Bank of Mexico (BOM) statistics, flows to Mexico have averaged growth of almost 13 percent per annum since 1960. More remarkably, the \$13.3 billion in official registered workers' remittances to Mexico in 2003 represents a 35 percent increase over 2002.¹ BOM data for 2004 indicate that the total remittance flows surpassed US\$16.6 billion, nearly 40% larger than the total estimated investment in housing with formal sector financing in Mexico for 2004.

B. Remittances Receiving Households

- 1.4 While numbers vary, reasonable estimates of the number of recipient households suggest that approximately 1.4 million families in Mexico received remittance income in 2002, an 11% increase over the year 2000. Stated differently, one of every nine households in rural areas and one of every ten households in medium and large cities areas receive remittances.² Official statistics suggest that 46.3 million remittance transactions occurred in 2004 for an average value of US\$327 each. In 2002, for municipalities with more than

¹ A recent MIF-financed study of remittances, which seeks to correct for under reporting in official statistics, estimates that Mexican immigrants sent an even greater number, some US\$14.5 billion, to Mexico in 2003.

² Comisión Nacional de Población. [http://www.conapo.gob.mx/migracion_int/principal.html]

2,500 residents, remittance-receiving households (RRHs) received an average of US\$2,800 per year from abroad, nearly 43% of the household's monetary income.³

- 1.5 RRHs vary significantly by income and structure. As a general rule, poorer households receive smaller remittance flows, but these represent a larger portion of their total income. Initial affordability analyses suggest that a significant portion of RRHs would be eligible for financing if they could document their total income (remittances and own-source), an alternative afforded by the proposed project. The percentage of remittances channeled to housing (near 5%) suggests that there is a significant amount of unmet demand for housing finance among RRHs. Without access to the formal financial market, these resources are used for purchase of land and for self-built housing or home improvement.

C. Housing finance in Mexico

- 1.6 Mexico currently faces a significant housing deficit, both in terms of new household formation as well as the quality of the existing stock. It is estimated that some 65% of the existing housing stock in Mexico was self-built, and is often sub-standard.⁴ While the public institutions at the Federal level have made improvements in reducing distortions in the mortgage markets and rationalizing the provision of subsidies for lower-income families, large numbers of Mexicans are unable to purchase decent housing with credit from the financial sector. Moreover, there is virtually no market for financing housing improvement, a clear priority given that of the approximately 22 million housing units in Mexico in 2000, three million units (14% of total stock) were in need of replacement or significant upgrading and another 5.1 million units (23%) required moderate upgrading.⁵
- 1.7 The mortgage markets in Mexico are dominated by public agencies. In 2004, the largest public housing agency, *Instituto del Fondo Nacional de la Vivienda para los Trabajadores* (INFONAVIT), funded some 57% of all mortgages. *Sociedad Hipotecaria Federal* (SHF), which provides second-tier financing to specialized mortgage companies (*Sociedades Financieras de Objeto Limitado*—Sofoles), provided funding for an additional 12%. The commercial banks, which dramatically reduced origination after the 1994 financial crisis, funding less than 13,500 mortgages in 2003, increased in 2004 to 29,000—some 5% of total origination for last year. Despite the recent improvement, it is estimated that only 13% (2004) of the existing stock had an outstanding mortgage. Moreover, the market for housing improvement finance is virtually non-existent.
- 1.8 Despite important progress, including the creation of the SHF and the subsequent tapping of capital markets for mortgage origination, many observers believe that nearly one half of new housing continues to be produced in the informal sector—that is, without formal sector financing. There are several causes of the large proportion of informal housing in Mexico. Among the more important is the lack of affordable credit for large portions of the population. Families earning less than 5 minimum salaries (approximately US\$640 per month) rarely obtain housing finance without government subsidies.⁶ It is even more

³ Estimates by CONAPO based on bi-anual Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH), 1992-2002.

⁴ State of Mexico's Housing. Joint Center for Housing Studies of Harvard University (2004).

⁵ Ibid.

⁶ The majority of Mexicans earn less than this wage. It is estimated that approximately 45 million Mexicans live in poverty

difficult for non-salaried workers to obtain housing credit, particularly in the lower income groups. Moreover, the costs of closing a mortgage loan are very high in Mexico, often more than 11% of the loan amount. When added to down payment requirements, the total amount of cash required for a 90% loan to value mortgage can be greater than 22% of the loan, a substantial barrier to entry (see technical files). The closing costs are even higher for remittance-based mortgages (RBM), which in the context of this project are mortgages originated in Mexico under Mexican law and for which remittance constitute a sources of repayment capacity (see OR). Consequently, a large portion of Mexico's population is unable to obtain housing finance.

- 1.9 While total origination of mortgages increased around 13% to 533,000 in 2004, this number is still substantially below the expected household formation rate of 750,000. In short, despite important efforts by the authorities, large numbers of households are unable to obtain housing credit and are forced to self-finance their housing, resulting in substandard units that are built over longer periods without the multiplier effects of formal construction. Moreover, virtually no home improvement financing is available to upgrade the existing stock of housing or to deal with the significant overcrowding that exists, particularly in lower income groups. While precise statistics are not available, it is thought that a significant proportion of home improvement is financed by remittances.

D. Remittances and Housing

- 1.10 Mexico has been a leader in developing practices to promote the growth and harness the development potential of the rising flows of remittances. Among other innovations, the Government of Mexico (GOM) has negotiated the acceptance of the *matrícula consular* as a valid identification, which several US banks now accept. The GOM (with MIF support) has also actively supported hometown initiatives that leverage investment by migrant communities of origin.⁷ The *Instituto de Mexicanos en el Exterior* (IME) provides support to Mexicans emigrants.
- 1.11 Despite the notable rise in remittances, the financial system has yet to leverage these flows to provide credit for housing beyond initial efforts. While recent studies estimate that 5-15% of remittance flows are allocated to productive investment and housing, the bulk of remittances have served as an effective safety net, providing low-income families resources for consumption.⁸ The project seeks to support the efforts of GOM to provide more options to RRHs by supporting the extension of housing finance to this group.
- 1.12 To date, three Sofoles have begun to offer mortgages to Mexicans living in the US for houses in Mexico. The results have been meager—some 300 mortgages in nearly three years. There are important reasons for this. On the one hand, there is still very little awareness of the housing finance products available, both among immigrants and in their families in Mexico. There is also a generalized lack of understanding of housing finance concepts, related to the lack of participation in the formal financial sector. Surveys have

⁷ This is the 3 for 1 program, supported by the Federal and State governments as well as the MIF through ATN/ME-7717-ME

⁸ CONAPO. Tuirán. The percentage of remittances allocated to housing has been corroborated by other studies as well.

demonstrated a lack of confidence in financial institutions, and in Mexican financial institutions in particular. Moreover, locating houses for pre-qualified clients is a significant problem due to the lack of a comprehensive and well-managed listing system. Finally, the closing costs (₱1.8) are a significant hurdle.

E. SHF, BANSEFI, AHORROSIF and the Banks

- 1.13 The GOM has actively promoted the development of market-based solutions for providing financial services to Mexican citizens, particularly for lower-income families. As part of this effort, the SHF was created in 2001 to provide market-rate financing to Sofoles for mortgage origination. SHF also channels demand side subsidies managed by the *Fondo Nacional de Apoyo Económico a la Vivienda* (FONAEVI)⁹ to enable families earning less than five minimum salaries afford a low cost housing solution. The SHF has fully implemented a scoring mechanism that automatically determines if a person is deemed creditworthy, and therefore able to access financing from a Sofol that will rediscount the mortgage with SHF. An important innovation of the scoring system is that it enables non-salaried aspirants to mortgage financing to demonstrate payment capacity through alternative means, including periodic savings (see Ahorrasif below). In addition, SHF is ready to pilot two new products that could have a significant impact on lower-income households: housing microfinance and house leasing with an embedded purchase option.
- 1.14 The *Banco Nacional de Servicios Financieros* (Bansefi) was created in 2002 to provide financial services to under-served populations in Mexico. The Bank is mandated to support the transition of over 600 unregulated financial intermediaries into solvent, well-governed and supervised institutions. In the area of housing, Bansefi has signed agreements with public housing institutions to create housing savings accounts that permit low-income families to demonstrate payment capacity through regular savings. For the “Ahorrasif” product developed with SHF, Bansefi maintains data on the savings patterns of housing loan aspirants, allowing the SHF to update the person’s creditworthiness “score.” Bansefi also manages a remittance system that allows migrants to pre-determine the destination of their remittances, dividing them into discrete sub-accounts, including an account for housing. In this way, the RRH can qualify for SHF funding though the regular sending of remittances. In addition, Bansefi has recently signed an agreement with SHF to provide trust fund services for companies that will offer leasing of housing units. This new product will enable families of modest means to save for a down payment (a portion of their lease payment) while living in a house and demonstrating payment capacity.
- 1.15 In mid-2003 the commercial banks began to expand housing finance, after several years of reducing their exposure. Although the banks closed less than 13,500 mortgages in 2003, their participation in the market is growing quickly. While the majority of commercial bank housing finance is for middle and upper-income families, a few banks have begun to penetrate the lower income segments and one bank recently bought the largest Sofol. The commercial banks also control a significant amount of the remittance business. Several commercial banks active in both the US and Mexico have expressed interest in expanding

⁹ FONAEVI is a trust fund that managed the federal housing subsidies, including *Programa Especial de Crédito y Subsidios a la Vivienda* (PROSAVI), under the administration of the *Fondo Nacional de Habitaciones Populares* (FONHAPO).

(cross-selling) their financial services to RRHs.¹⁰ Among the financial services being considered are RBMs which will produce the additional benefit of increasing banking penetration among RRHs in Mexico and the US and Canada.

II. PROGRAM DESCRIPTION

A. Program Goal and Purpose

- 2.1 The project's general objective is to contribute to the increase in the origination of mortgages, housing microcredit loans, and house leasing in Mexico for RRHs. The specific objective is to establish a pilot mechanism in Mexico that demonstrates the feasibility of leveraging remittance flows for housing finance to Mexican families that receive remittances.
- 2.2 The three main program components are: (i) dissemination of the GOM's RBM program and provision of financial literacy courses and information for interested RRHs; (ii) technical assistance to RRHs to lower the costs of entry for signing remittance-based mortgages and to SHF for development of new financial products; and (iii) implementation of *Fuente Integral de Estadísticas Hipotecarias* (FIEH), incorporation of remittance-specific credit evaluation, and rigorous analysis of the performance of remittance-based mortgages.

B. Component 1 – Dissemination and Financial Literacy (MIF US\$50,000; Local US\$576,000)

- 2.3 This component seeks to mitigate two key obstacles to the successful origination in Mexico of mortgage loans for RRHs: a lack of understanding on the part of RRHs of the concepts that underlie housing finance and their lack of awareness that there exist financial products designed to meet their demand. The resources will be used to contract consulting services for the following activities (see OR): (i) development of a marketing strategy and promotional materials for the dissemination of the cross border housing finance initiative (including the Ahorrasif program) supported by the Mexican Government through SHF; (ii) cofinancing of promotional activities focusing on Ahorrasif and the cross-border housing finance initiative, including housing fairs for migrants, developers, financial institutions, and government agencies (SHF, CONAFOVI, IME); (iii) development of an online property registration system; (iv) development of a simple, single-session curriculum on housing finance and an exam to be administered at the beginning and the end of the course to assess retention; and (v) delivery of 200 courses to 3,250 families interested in obtaining remittance based housing finance. The training sessions will be held in the US as well as in Mexico, using facilities provided by the *Instituto Nacional de Educación de Adultos* (INEA) as detailed in the OR.
- 2.4 While ambitious, the activities outlined above would help mitigate two of the principal obstacles encountered in remittance-based mortgage products. Moreover, because of the

¹⁰ Source: U.S. Comptroller of the Currency. Community Development Insights (Sept 2004). While only 3-11% of remittances are initiated in a bank, 43% of remittance recipients in Mexico use banks to get their funds.

tight-knit nature of Mexican immigrant communities, the promotional and training activities are expected to have significant leverage effects, spurring demand and understanding of the products available. The activities will have the support of IME, who will also seek the support of the Mexican consulates in the US and Canada, INEA, and eight selected State Housing Institutes (*Organismos Estatales de Vivienda--OREVIs*) in high-migration areas. The OREVIs, who already have a working relationship with SHF, will provide information about the availability of the training courses to RRHs.

C. Component 2 – Technical Assistance for Remittance-based Housing Finance (MIF US\$1,020,000; Local US\$30,000)

- 2.5 This component will provide technical assistance to support RRHs that sign RBMs with Mexican housing finance institutions (HFIs) and to SHF for new product development. The rationale is that there are a series of start-up costs associated with offering financial products to RRHs, which represent short-term impediments to ramping up this market. These costs have been transferred to RRHs through increased charges for loan origination, the socioeconomic study and the credit check, and represent a significant barrier to entry.
- 2.6 **Subcomponent 1:** Mortgage origination technical assistance. This subcomponent will provide resources for professional fees effectively paid by RRHs that sign RBMs, up to US\$500 per RRH. The resources will cover professional fees charged to RRHs for the socioeconomic study, for appraising of the property, and the title search and the preparation of purchase and mortgage contract. Lowering the buyers' entry costs associated with closing a mortgage will increase the demand for such mortgages, and thus benefit both the RRHs and the HFIs. Closing costs are a significant obstacle for mortgage origination. The maximum cost of the professional fees covered would represent an estimated 1.9% of the total cost of the average house to be financed by the program, and would cover approximately 16 % of the closing costs, excluding down-payment.
- 2.7 **Subcomponent 2:** Technical assistance to SHF for microcredit and house leasing product development. The remittance-based housing microcredit and leasing markets will be supported through technical assistance for product development, seeking to improve the design of the technological platform for channeling remittances for prompt electronic payment of microloans and leases. The project will finance two consultancies that will produce recommendations for to adapt SHF's existing products to the needs of RRHs.

D. Component 3 – Implementation of housing finance database and incorporation of remittance specific credit evaluation (MIF US\$300,000; Local US\$735,000).

- 2.8 This component seeks to support SHF's efforts to quantify the risks associated with providing housing finance in Mexico, and to expand rigorous data collection and analysis to loans that are partially financed through remittances. Specifically, the operation will partially finance the costs of acquiring licenses and developing the software necessary to launch an Integrated Mortgage Statistics Database (*Fuente Integral de Estadísticas Hipotecarias*—FIEH), as well as technical assistance to develop the modules for remittance-based financing of mortgages, microcredits and leases.¹¹ As a result of the

¹¹ The general conceptual design for this database exists, but it has yet to be implemented.

successful implementation of the component, the HFIs will obtain an exhaustive data set that includes all the relevant sociodemographic indicators and the associated probability of default (PoD) and loss given default (LGD) for any combination of these.

III. COST AND FINANCING

- 3.1 The program cost is estimated at US\$3,400,000. The MIF will contribute US\$1,700,000 (50%) in non-reimbursable financing from Facility I. The balance of US\$1,700,000 (50%) will be the responsibility of SHF as the local counterpart; of that amount, at least 50% will be in cash. The estimated project budget (Detailed Budget is Annex II) is as follows:

Project Budget			
Budget items	MIF	Local contribution	Total
Component I: Dissemination and Financial Literacy	50,000	576,000	626,000
Component II: Incentives for remittance-based housing finance	1,020,000	30,000	1,050,000
Component III: Implementation of FIEH and incorporation of remittance-specific credit evaluation	300,000	735,000	1,035,000
Project Administration	330,000	359,000	689,000
Program coordination	180,000	0	180,000
Administrative expenses	0	238,000	238,000
Monitoring and evaluation	50,000	0	50,000
MIF cluster activities	15,000	0	15,000
Auditing	40,000	0	40,000
Contingencies	45,000	121,000	166,000
Total	1,700,000	1,700,000	3,400,000
	50%	50%	100%

- 3.2 The amount equivalent to US\$15,000 for Cluster Activities shall be utilized by the Bank for purposes of carrying out activities related to the Remittances Cluster. This amount will be deducted from the Contribution on the effective date of the TC agreement of this operation, without requiring a disbursement request from the Beneficiary.
- 3.3 **Sustainability:** The program seeks to demonstrate the financial viability of providing housing finance to RRHs by supporting the efforts of for HFIs willing to take cross-border credit risk on a pilot basis, and by partially offsetting the costs of closing mortgage loans, which represent a barrier for many potentially interested RRHs. Moreover, the pilot project will include the collection and rigorous analysis of the data generated by the exercise, which will be shared (within the constraints of banking secrecy laws) with financial intermediaries from Mexico and overseas interested in quantifying the risks of these transactions. While the specific funds allocated to offset the risks and the closing costs are not expected to be available in the long-term, it is expected that as the risks and operating mechanisms are better understood by housing finance institutions, their interest in increasing these products will increase, increasing competition, lowering prices and making the scheme self-sustainable. If the risks inherent in these operations are shown to be excessive, there is no incentive scheme that could—or should—induce financial institutions to continue to lend to this end.

IV. EXECUTING AGENCY AND MECHANISM

- 4.1 **Executing agency.** The project will be executed by SHF. The Project Executing Unit (PEU) will be the Office of Housing Studies (OHS), an office in the Risk and Strategic Planning Department of SHF. SHF is the preeminent market-based government housing institution in Mexico, and is officially mandated to promote the development of the primary and secondary mortgage markets in Mexico. The OHS has 9 permanent staff members, and consequently has sufficient personnel and resources to effectively manage the MIF project (see institutional analysis). The OHS is currently coordinating the execution of the Program for Housing Finance, financed by loan 1298/OC-ME (US\$505 million), and has performed well in that capacity.
- 4.2 **Executing mechanism.** The program will finance a project coordinator (PC), selected through a competitive contracting process, responsible for overall management and monitoring of the program. The ToRs for the coordinator's contract are part of the Operational Regulations (OR) of the project. The selection and hiring of the PC shall be a condition prior to first disbursement. The PC will be responsible for oversight of all the financial and administrative requirements of the project (see OR). The SHF, as executing agency, will assign a project assistant, accounting personnel as needed, and professional staff support and will provide the necessary physical space and equipment for adequate operation of the PEU. The PC will work closely with officials from SHF, the IME, INEA, and financial intermediaries that participate in the project.
- 4.3 The PEU will be responsible for overseeing the effective implementation of the three components, participating in the preparation and internal review of procurement documents, the oversight of bidding processes in accordance with MIF/IDB policies, inter-institutional coordination, monitoring of the effective use of the technical assistance resources (as described in the OR), and reporting to the Bank.
- 4.4 The TC Agreement and the OR will govern the execution of the project. In case of conflict between the TC agreement and the OR, the former will prevail. The OR will be subject to changes with the prior written no objection of the Bank. The approval and entrance into force of the OR previously agreed upon with the Bank shall be a condition prior to first disbursement. The approval and entrance into force of an Agreement between SHF and INEA and SHF and IME shall also be conditions prior to first disbursement (see OR).
- 4.5 **Program implementation readiness.** The project is expected in an advanced stage or readiness. All the necessary inter-agency agreements have been agreed in principle and draft legal documents have been drawn up. The PEU has more than sufficient counterpart resources and the project is consistent with a Presidential mandate that the SHF has been implementing. Moreover, the private sector financial institutions have been working on developing cross border mortgage products for three years, and are both interested and willing to participate actively in the execution of the project.
- 4.6 **Execution period and disbursements.** The project will be executed in 36 months, with a disbursement period of 42 months. The project funds will be disbursed by means of a revolving fund, equivalent to 20% of the MIF contribution. The size of the revolving fund

reflects the large number of expenditures in the first months. Sixty days from the end of each semester the Beneficiary will provide reports on the status of the revolving fund.

- 4.7 **Procurement.** All goods and services will be procured by SHF according to MIF/IDB policies, and will be overseen by the PC. The Bank will conduct ex post revision for TA services up to US\$200,000. All firms will be contracted on the quality and cost approach. Contracts under US\$500,000 will be eligible for short-lists that do not include firms from other Bank member countries. All procurement will be done according to the procurement plan, which will cover 18 months and will be updated annually, and will be submitted to the Bank for approval prior to the commencement of any procurement processes.

V. PERFORMANCE EVALUATION AND INDICATORS

- 5.1 **Monitoring.** SHF, through the PEU, will be responsible for preparing progress reports and monitoring the project. A progress report will be prepared every six months and delivered to the Bank within 60 days of each calendar semester (as detailed in OR). The progress reports for the second semester of each calendar year shall be accompanied by a annual plan and disbursement schedule and an updated procurement plan (see OR). SHF will compile the quantitative and qualitative indicators included in the OR for the mid-term and final project evaluations (§5.3). The monitoring system is described in detail in the OR.
- 5.2 **Technical and basic responsibility.** Technical responsibility for the project will be assigned to RE2/FI2. Basic responsibility will be assigned to COF/CME.
- 5.3 **Progress and final reports.** The Bank and SHF will organize a workshop 18 months after the project is declared eligible, to analyze the project's progress and means to ensure its sustainability. At the conclusion of the project, SHF will present to the Bank a final report that (see OR) details activities completed, results obtained vis-à-vis original goals (based on the Logical Framework), and an Operational Plan for the subsequent 2 years.
- 5.4 **Evaluations.** The Bank will hire individual consultants to carry out project evaluations, consisting of a mid-term evaluation upon disbursement of at least 50% of MIF funds and a final evaluation three months prior to the end of the project and before the final disbursement. The evaluations will cover: (a) the degree of completion of the scheduled activities and attainment of the supervisory indicators set forth in the Logical Framework (Annex I) and the OR; (b) performance of the PEU and other units; (c) lessons learned and proposals for reviewing the sustainability of remittance-based housing finance in Mexico and the impact of the project three years after its completion. The executing agency has agreed in principle to conduct an ex post evaluation 3 years after the final disbursement.
- 5.5 **Audit.** Audited financial statements shall be submitted no later than ninety days following the close of each year of execution, beginning with the year that corresponds to the fiscal year in which disbursements begin. The final financial statement shall be presented no later than ninety (90) days following the date of the last disbursement. Financial statements shall be certified by an independent auditing firm acceptable to the Bank, as per the Bank's external audit requirements.

VI. PROJECT BENEFITS AND RISKS

- 6.1 **Rationale.** This project is consistent with the MIF objective of supporting remittances as a development tool. The project seeks to show the financial viability of a scheme to add value to the remittances to Mexican families, leveraging them through an innovative package of financial products for housing. Given the large flows of remittances and urgent need to increase access to housing finance in several of the MIF member countries, it is expected that this project would be **replicable** in other countries. The project is considered **innovative** because it offers a chance to significantly increase the awareness and acceptance of both RRHs and HFIs to the leveraging of remittance flows for different housing products. The MIF's **additionality** in the project is twofold: as a leading institution supporting remittances research, MIF lends international credibility to the scheme the GOM has created to tap remittance flows for mortgages. Moreover, MIF's technical expertise in microfinance and in developing new financial products will help GOM's efforts to develop two new and potentially far-reaching products for RRHs. The **sustainability** of the project is supported through two factors: (i) SHF has lent its institutional credibility and resources to fostering this scheme, including funding the mortgage and (eventually) microcredit portfolios that are originated; (ii) once the risks are quantified, it is expected that the market for remittance-based financing of housing will become more attractive and competitive, ensuring continued access for RRHs. In addition, the project forms part of the MIF Remittances Action Plan (MIF/GN-73) as it seeks to promote the participation of financial institutions and the development of new financial mechanisms to channel emigrant remittance flows towards productive investment.
- 6.2 **Beneficiaries.** The direct beneficiaries will be the 2,000 remittance recipient households that secure mortgages with the support of the project. It is expected that the project will demonstrate the viability of this market and will enable many more RRHs to obtain RBMs in the future. Moreover, 3,250 families that will be beneficiaries of receiving basic housing finance courses. In addition, the HFIs interested in the originating RBMs will benefit from increased awareness and origination of mortgages, both through the direct beneficiaries as well as future originations.
- 6.3 **Risks.** The main risks of the project relate to effective demand and the financial sustainability of remittance-based housing finance. The sustainability of the operation is based on demonstrating that there is a viable market for housing products for RRHs. This in turn is dependant on RRHs actually obtaining loans and proving to be creditworthy. While the first risk is mitigated through the dissemination and financial training activities, it is not possible to effectively mitigate the second risk. This is inherent to the pilot project nature of this operation, and if it were shown that RRHs are not creditworthy, this would be a worthwhile conclusion in itself.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 **Environmental issues.** The Committee on Environment and Social Impact (CESI) approved the proposed project without comments at its meeting of November 5, 2004 (TRG 43-04).

LOGICAL FRAMEWORK

MIF – ME-M1006 Facilitation of Access to Housing Finance for Recipients of Remittances

Narrative summary of objectives	Verifiable indicators	Means of verification	Assumptions
<p>Aim:</p> <p>Help bring about an increase in the origination of mortgages, housing microcredit loans, and house leasing with an option to purchase for remittance-receiving households.</p>	<p>3 years after completion of the project:</p> <ul style="list-style-type: none"> SHF Mortgage loans to middle- and low-income households increase by 10%. 	<ul style="list-style-type: none"> Data from the Central Bank and the Superintendency of Banks. Ex post evaluation (to be negotiated with the EA) 	<ul style="list-style-type: none"> Macroeconomic and policy framework is suitable.
<p>Purpose:</p> <p>Establish a pilot mechanism that demonstrates the feasibility of leveraging remittance flows for housing finance to families in Mexico that receive remittances.</p>	<p>Upon completion of the project:</p> <ul style="list-style-type: none"> Portfolio of mortgages to remittance-receiving households is up by 500% to a total of 2300; Average level of understanding among remittance-receiving households of the financial concepts behind mortgage loans increases by 50%; and of programs available for remittance-based mortgages; 100% of financial and socioeconomic data of remittance-receiving households receiving a mortgage loan is incorporated into the Integrated Mortgage Statistics Database. 	<ul style="list-style-type: none"> Reports by the SHF, CNBS, and financial institutions Surveys of remittance-receiving families; Reports from FIEH Midterm and final project reports Baseline Semiannual progress reports and final report by executing agency Midterm and final evaluations by external consultant Project performance monitoring report (PPMR) Project Completion Report (PCR) 	<ul style="list-style-type: none"> Creditors are favorable to the benefits of property-secured loans. Proper prudential supervision of the financial sector; Funding rate (owing to monetary restrictions) does not cause home financing in Mexico to become too expensive.
<p>Components:</p> <p>Component 1: Dissemination of information and training in the financial concepts of housing finance</p> <p>A public information campaign to educate remittance-receiving households in Mexico is launched.</p>	<ul style="list-style-type: none"> 10,000 remitting families and remittance-receiving households in México, the United States, and Canada are informed of the financial products available to them by the end of year 3. (3,000 in year 1; 5,000 in year 2; 2,000 in year 3); 3,250 persons trained in the financial concepts of mortgage loans (500 in year 1; 750 in year 2; 2,000 in year 3). 	<ul style="list-style-type: none"> Surveys of remittance-receiving households (baseline and at one-year intervals) Reports from state housing agencies; Results of post-training course exams; Executing agency semiannual and final reports External consultant's midterm and final evaluation Project Performance Monitoring Report (PPMR) Project Completion Report (PCR) 	<ul style="list-style-type: none"> State housing agencies are interested in taking part in project; Collaboration by consulates, facilitating the use of community spaces with the facilities for training migrants; Demand exists on the part of remittance-receiving households;

<p>Component 2: Incentive scheme for remittance-based housing loans</p> <ul style="list-style-type: none"> ▪ An effective mechanism to support the conversion of remittance flows into mortgage loans that also make the remittance-receiving household eligible for credit. ▪ Microfinance and leasing products with an SHF purchase option redesigned to meet the needs of remittance-receiving households; 	<ul style="list-style-type: none"> • 2,000 new remittance-based mortgages subsidized upon completion of the program (300 in year 1; 700 in year 2; 1,000 in year 3) • Housing microfinance products and leasing with purchase option added to HFI products offered in Mexico by the end of year 2. 	<ul style="list-style-type: none"> • Project Progress Reports • Register and list of participants • Surveys of participants • Dissemination tools • Executing agency's final and semiannual progress reports • External consultant's midterm and final evaluation • Project Performance Monitoring Report (PPMR) • Project Completion Report (PCR) 	<ul style="list-style-type: none"> • Supply of quality services is sufficient for training, instruction, and dissemination.
<p>Component 3: Establishment of housing finance database and incorporation of a special module for evaluation of remittance-based mortgages</p> <ul style="list-style-type: none"> ▪ Information technology system that can register, measure, and simulate risks associated with mortgage loans (loss given default and probability of default) is in place; ▪ Information technology credit risks module associated with remittance-based mortgages; 	<ul style="list-style-type: none"> • Integrated Mortgage Statistics Database set up in the Federal Mortgage Company (SHF) is fully functioning by the end of year 3 • 100% of new and existing portfolio of credit operations and guarantees of SHF is in the Integrated Mortgage Statistics Database by year 2. • Stakeholders have internet access to data by the end of year 3; • 100% of remittance-leveraged mortgages are in the database by the end of year 3; (50% by the end of year 2) • Probability of default and loss given default models for remittance-based mortgages created by the end of year 3; (developed midway through year 3) 	<ul style="list-style-type: none"> • Integrated Mortgage Statistics Database; • Number of visits to website; • Executing agency's final and semiannual progress reports • External consultant's midterm and final evaluation • Project Performance Monitoring Report (PPMR) • Project Completion Report (PCR); • Results of econometric risk models. 	<p>The IFV not receiving funding from the SHF shares information on remittance-based mortgage payment performance;</p>
<p>Activities:</p> <p><u>Component 1</u></p> <ol style="list-style-type: none"> 1.1 Marketing strategy and informational programs on financial products available for remittance-receiving households; 1.2 Organize housing fairs for migrants in 5 cities in the United States and Canada; 1.3 Information on Ahorrasif program and remittance-based mortgage programs provided by State Housing Institutes in eight high-migration states; 1.4 Information on Ahorrasif program and remittance-based mortgage programs provided abroad by Mexican consular service; 1.5 Curriculum of basic training in concepts of mortgage financing for remittance-receiving households designed and 50 instructors trained in how to teach the curriculum; 	<ul style="list-style-type: none"> • Marketing strategy is designed and being introduced by the end of year 1; • 5 housing fairs organized and held in year 2; • Design and distribution of 10,000 information brochures (Ahorrasif and remittance-based mortgage programs) by 8 State Housing Institutes and the consular service in the United States (3,000 in year 1; 7,000 in year 2); • During the first 24 months, 200 training workshops are held, 100 for remittance-receiving households in the eight high-immigration states selected with the help of State Housing Institutes (32 by the end of year 1 and 68 by the end of year 2) and 100 	<ul style="list-style-type: none"> • Contracts with coordinators, consultants, lawyers, and economists; • Register of assistants and documents distributed at housing fairs; • Consultants' reports; • Copy of curriculum designed; • Activities reports of Ministry of Foreign Affairs (SER) and of Instituto de Mexicanos en el Exterior (IME); • Executing agency's final and semiannual progress reports • External consultant's midterm and final evaluations 	<p><u>Component I</u></p> <ul style="list-style-type: none"> • Human resources (local and international) available to provide assistance as required under the timetable; • Public and political support for the remittance-based mortgage program remains unchanged; • SHF's budgetary resources effectively allocated to the activities for which it is responsible; • Ongoing interest on the part of OREVI to take part in the plan; <p><u>Component II</u></p> <ul style="list-style-type: none"> • SHF's budgetary resources effectively allocated to the activities for which it is

<p>1.6 200 courses in mortgage financing, 100 in México (with the collaboration of OREVI) and 100 outside the country (with the collaboration of Instituto Nacional de Educación de Adultos and Instituto de Mexicanos en el Exterior);</p> <p>1.7 10,000 information brochures on concepts of mortgage financing prepared and distributed in the selected states and consular offices.</p> <p>1.8 Information updated and the Sofoles and developers input procedures introduced;</p> <p>1.9 Design, development, and implementation of a web page with information on the remittance-based mortgage program, Ahorrasif program, and the financial concepts of mortgage loans, together with a comprehensive updated database of housing available throughout Mexico.</p> <p><u>Component 2</u></p> <p>2.1 Design and develop a plan to promote housing loans and microcredit to remittance-receiving households;</p> <p>2.2 Adjust the housing microfinance product to the needs of remittance-receiving households;</p> <p>2.3 Adjust leasing with purchase option to the needs of remittance-receiving households;</p> <p><u>Component 3</u></p> <p>3.1 Integrated Mortgage Statistics Database data interface system with internet server is designed and set up in SHF;</p> <p>3.2 Prepare/develop a proposal to add future microcredit and leasing with purchase option operations to the Integrated Mortgage Statistics Database;</p> <p>3.3 Software licenses for the relational database that will be used to implement the FIEH are acquired.</p>	<p>training workshops for RRH in the United States and Canada with the help of the consular service and IME (32 by the end of year 1 and 68 by the end of year 2);</p> <ul style="list-style-type: none"> • During the first 24 months, 20 remittance-based mortgage program advertising and consumer education spots are broadcast in the states selected; • Web page fully operational by the end of year 1. <p><u>Component 2</u></p> <ul style="list-style-type: none"> ▪ Plan to promote housing loans to remittance-receiving households implemented. • Housing microfinance product adjusted to the needs of remittance-receiving households by the end of year 2; • Leasing with purchase option product adjusted to the needs of remittance-receiving households by the end of year 2. <p><u>Component 3</u></p> <ul style="list-style-type: none"> • All data have been added to the Integrated Mortgage Statistics Database by the end of year 2 and are accessible through the SHF internet server in year 2; • Proposal to add future microcredit and leasing with purchase option operations to the Integrated Mortgage Statistics Database is developed by consensus by the end of year 3; • All software licenses for FIEH relational database acquired midway through year 2; 	<ul style="list-style-type: none"> • Project Performance Monitoring Report (PPMR) • Project Completion Report (PCR) • Website property registry system; • Number of visits to remittance-based mortgage program website by country; • Number of times Integrated Mortgage Statistics Database is consulted over the internet; • Licensing agreements; 	<p>responsible;</p> <ul style="list-style-type: none"> • Demand for mortgage products by RRHs; <p><u>Component III</u></p> <ul style="list-style-type: none"> • SHF's budgetary resources effectively allocated to the activities for which it is responsible; • Human resources (local and international) available to provide technical assistance as required under the timetable; • Banks prepared to share information on payment performance, even if funding is not received from SHF;
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Budget items	MIF	Local contribution	Total
Component I: Dissemination and Financial Literacy	50,000	576,000	626,000
Component II: Technical Assistance for Remittance-based Housing Finance	1,020,000	30,000	1,050,000
Component III: Implementation of FIEH and incorporation of remittance-specific credit evaluation	300,000	735,000	1,035,000
Project Administration	330,000	359,000	689,000
Program coordination	180,000	0	180,000
Administrative expenses	0	238,000	238,000
Monitoring and evaluation	50,000	0	50,000
MIF cluster activities	15,000	0	15,000
Auditing	40,000	0	40,000
Contingencies	45,000	121,000	166,000
Total	1,700,000	1,700,000	3,400,000
	50%	50%	100%

Detailed Budget

Budget items	MIF	Local contribution	Total
Component I: Dissemination and Financial Literacy	50,000	576,000	626,000
<u>Promotional campaign (Mexico and US)</u>	50,000	500,000	550,000
Development of SHF promotional materials	20,000	180,000	200,000
Cofinancing of SHF promotional activities	30,000	260,000	290,000
Cofinancing of promotional activities for Ahorrosif and Programa Raices	0	110,000	110,000
Development and implementation of Mexican consulate information booths	30,000	80,000	110,000
Housing fairs for immigrants in US and Canada in selected cities (5 events)*	0	70,000	70,000
Organization and promotion among immigrant groups, housing developers, financial institutions, SHF, CONAFOVI and IME	0	30,000	30,000
Rental fees for space and promotional materials	0	40,000	40,000
Cofinancing of web-based property identification system	0	60,000	60,000
<u>Financial literacy of remittance senders and receivers</u>	0	76,000	76,000
Development of curriculum for short courses in US and Mexico	0	30,000	30,000
Training of teachers	0	6,000	6,000
Fee-based remuneration of teachers	0	40,000	40,000
Component II: Technical Assistance for Remittance-based Housing Finance	1,020,000	30,000	1,050,000
<u>Technical Assistance for Remittance-based Mortgages</u>	1,000,000	0	1,000,000
<u>Technical assistance to develop remittance-based housing microfinance and leasing products</u>	20,000	30,000	50,000
Housing microfinance product development	20,000	5,000	25,000
Housing leasing product development	0	25,000	25,000
Component III: Implementation of FIEH and incorporation of remittance-specific credit evaluation	300,000	735,000	1,035,000
<u>Licenses for information technology platform</u>	300,000	700,000	1,000,000
<u>Technical assistance for development of remittance recipient credit risk module</u>		35,000	35,000
Project Administration	330,000	359,000	689,000
Program coordination	180,000	0	180,000
Administrative expenses	0	238,000	238,000
Monitoring and evaluation	50,000	0	50,000
MIF cluster activities	15,000	0	15,000
Auditing	40,000	0	40,000
Contingencies	45,000	121,000	166,000
Total	1,700,000	1,700,000	3,400,000
	50%	50%	100%

* could be co-financed with HFIs

RELATED PROJECTS IN MEXICO AND IN THE MIF REMITTANCE CLUSTER

A. Similar or related MIF projects.

None.

B. Similar or related IDB projects.

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
1298/OC-ME 13 December 2000	Housing finance program Sociedad Hipotecaria Federal US\$505,000,000	6 September 2001 36 months	70.75%	This project is classified as satisfactory. A period of 35 months elapsed between contract signature and the declaration of eligibility, a delay that held up startup of the project. The delay was attributable mainly to a change of borrower and executing agency. By December 2004, the project had actually been under way for a little over 21 months since being declared eligible for disbursements. During that time, the first tranche of 50% of the loan resources was disbursed.
1583/OC-ME 3 November 2004	Multiphase program to address urban poverty, phase I Comisión Nacional de Fomento a la Vivienda (CONAFOVI) US\$350 million. IDB loan	N/A 36 months	0%	N/A

C. MIF projects related to the same sector or beneficiaries.

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
ATN/MT-8245-ME 12 March 2003	Funding for bankable property rights Comisión Nacional de Fomento a la Vivienda (CONAFOVI) US\$2,000,000 MIF contribution	17 June 2003 42 months	17.92%	At present, the project is classified as satisfactory although startup of the operation was delayed up and the time lost could not be fully made up because progress has been slow. Lately, however, actions have been taken to enhance execution that included meeting directly with the participating states to discuss possible solutions.
ATN/MT-8654-ME 10 March 2004	Support of a program to incorporate business assets into the formal sector La Secretaría de Desarrollo Social (SEDESOL) US\$2,600,000 MIF contribution	15 June 2004 33 months	0%	This project is classified as satisfactory. The conditions precedent to the first disbursement are being fulfilled, and satisfying these conditions by the original deadline is considered feasible. Once he was appointed, the Executing Unit coordinator acted promptly to find ways of expediting project startup.

D. Projects in the MIF remittances cluster.

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
EQU/MS-7425-BR 16 May 2001	Equity investment in the Venture Capital Fund for Returning Entrepreneurs Banco Sudameris de Inversión (BSI) US\$5,000,000 MIF contribution	28 January 2002 40 months	35%	Project is proceeding normally. The emigrant assistance model has been restructured to better fit in with start up and monitoring of productive operations.
ATN/ME-7599-EC 19 September 2001	Program to support microenterprises and Ecuadorian migrants	16 November 2001 43 months	7%	The project design set a target of 15,500 remittances. So far, there have been 39,162, for savings of US\$1,457,000, exceeding the target of US\$864,900,

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
	Banco Solidario S.A. US\$2,200,000 MIF contribution			and 2,156 recipients of remittances have opened savings accounts, more than meeting the target of 961.
ATN/ME-7717-ME 12 December 2001	Capitalization of remittances for local economic development Nacional Financiera, S.N.C. US\$1,115,000 MIF contribution	12 June 2002 36 months	36.69%	The project is now proceeding smoothly, with major advances in preparing and developing activities that had fallen behind because of problems with project startup. The executing unit is working satisfactorily with state coordinators, and migrant and private investors have expressed considerable interest in projects in their home communities. The level of financing disbursed is low because of the type of consulting work involved. The level will rise, however, once the consultants have completed their tasks. The level of counterpart funding disbursed is also low because the way in which counterpart outlays to date are presented is being standardized by the executing agency and the three participating states.
ATN/ME-7792-ME 20 February 2002	Strengthening institutions in the low-income savings and loan sector Banco del Ahorro Nacional y Servicios Financieros (BANSEFI) US\$3,500,000 MIF contribution	22 February 2002 42 months	43.41%	Credit unions are interested in upgrading their record keeping and systems in order to satisfy the requirements of the new legislation.
ATN/ME-7834-ME 4 April 2002	Pilot program for the investment of remittances for rural development in migrants' home economies Fundación para la Productividad en el Campo, A.C. (FPC) US\$460,000 MIF contribution	24 June 2002 36 months	51.38%	As migrant groups have expressed interest in investing in their own communities, the support for the program will make it possible to identify alternative investments for consolidating such interest. This explains the high expectations of the assumptions, which continue to be valid as monthly data of remittance inflows to Mexico have shown.
ATN/ME-7886-ES	Strengthening of financial and family-remittance services for low-income	16 July 2002	22.10%	a) The Salvadoran financial system has been stable for a number of years.

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
29 May 2002	groups Federación de Cooperativas de Ahorro y Crédito de El Salvador (FEDECACES) US\$1,500,000 MIF contribution	42 months		b) The Nonbank Financial Institutions Act is in effect and is creating a climate that favors a stable cooperative banking sector. c) The FEDECACES management body is fairly well prepared for administering the institution under the present regulatory framework. d) Some development objective indicators have not been met or are not being recorded at this time. With international assistance, however, FEDECACES has taken steps and is expected to meet the indicators by the end of the program.
64/MS-DR 30 April 2003	Improving remittance distribution channels in support of the microenterprise sector in the Dominican Republic Banco BHD S.A. US\$2,500,000 MIF contribution	N/A N/A	0%	
ATN/ME-8379-NI 30 July 2003	Equity Investment, non reimbursable technical cooperation and loan for Financiera Nicaraguense de Desarrollo S.A. (FINDESA) Financiera Nicaragüense de Desarrollo S.A. (FINDESA) US\$1,750,000 MIF contribution	30 March 2004 48 months	10.00%	Conditions precedent have been fulfilled and 50% of the proceeds of the loan has been disbursed. Technical assistance is proceeding according to plan.
ATN/ME-8455-DR 1 October 2003	Development of financial and business services for remittance recipients Asociación de Instituciones Rurales de Ahorro y Crédito (AIRAC)	28 November 2003 48 months	10%	The beneficiary has notified the Bank that a technology solution has been procured for providing remittance services to its members. Procurement was not carried out, however, in accordance with the Bank's procedures. Consequently, the procedures used are now being reviewed in detail to determine

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
	US\$840,000 MIF contribution			whether the solution in question satisfies the objective of reducing remittance costs.
ATN/ME-8510-AR 19 November 2003	Expansion and strengthening of FIE Gran Poder S.A., a microfinance Institution FIE Gran Poder S.A. US\$2,590,640 MIF contribution	27 March 2004 36 months	12%	The conditions precedent have been fulfilled and the first disbursement has been processed.
ATN/ME-8655-RG 10 March 2004	Line of Activity for MIF-IFAD Partnership Facility for Rural Private Sector Development Agencias Ejecutoras Elegibles en los Países Beneficiarios US\$4,000,000 MIF contribution	36 months	0%	The first call for tenders has been made for a potential project portfolio amounting to US\$3 million. The projects will be submitted to the Donors Committee by the short procedure over the next few months
ATN/ME-8695-RG 28 April 2004	Mobilization of remittances through microfinance institutions Fundación Centro Acción Microempresarial –Colombia (CAM) US\$824,770 MIF contribution	23 July 2004 48 months	10%	The conditions precedent have been fulfilled and the first disbursement has been processed.
ATN/ME-8897-RG 13 October 2004	Investment and non reimbursable technical cooperation funding for microenterprises and small businesses through formal financial intermediaries in Latin America Banco ProCredit (ES), Financiera ProCredit (NI), Sociedad Financiera Ecuatorial (EC) y Caja Los Andes S.A. (BO) US\$8,200,000 MIF contribution	N/A N/A	0%	The conditions precedent are in the process of being fulfilled

Project number/ date of approval	Project title, executing agency, and amount	Date of signature and disbursement period in months	Amount disbursed	Comments
ATN/ME-8674-PE 7 April 2004	Support for Returning Entrepreneurs Asociación Peruano Japonesa (APJ) US\$500,000 MIF contribution	13 May 2004 42 months	10%	The project has been delayed because the Executing Unit has not yet fulfilled all of the conditions precedent.
ATN/ME-8949-PE 17 November 2004	Enhance the development impact of Peruvian workers' remittances from Japan Banco del Trabajo (BdT) US\$7,200,000 MIF contribution	N/A N/A	0%	The project agreement is to be signed in the first week of April.

No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
30	MIF/AT-509	TC0105018	EQU/MS-8084-ME	Venture Capital Fund for Small Enterprises in Chihuahua	FCHIHUAHUA	IIIb	30-Oct-02	Completed	0	0.00
31	MIF/AT-509	TC0207015	ATN/ME-8085-ME	Venture Capital Fund for Small Enterprises in Chihuahua	FCHIHUAHUA	IIIa	30-Oct-02	In execution	110,000	54.55
32	MIF/AT-525	TC0201100	ATN/MT-8243-ME	Development of Standards for Financial Information	ICP	I	12-Mar-03	In execution	1,675,000	38.13
33	MIF/AT-527	TC0206011	ATN/MT-8245-ME	Property Rights Facilities Financial States	CONAFOVI	I	12-Mar-03	In execution	2,000,000	17.92
34	MIF/AT-533	TC0202012	ATN/ME-8378-ME	Expansion of Cleaner Production Support	IPN	IIIa	30-Jul-03	In execution	980,000	10.20
35	MIF/AT-542	TC0210061	ATN/ME-8424-ME	Promotion of Cleaner Production Opportunities in the Bajio Region	CCMEU	IIIa	09-Sep-03	Approved	465,000	0.00
36	MIF/AT-548	TC0302013	ATN/ME-8432-ME	Supply Chain Development for Micro and Small Enterprises in Guanajuato	COFOCE	IIIa	10-Sep-03	In execution	970,000	15.62
37	MIF/AT-587	ME-M1002	ATN/MT-8654-ME	Support for a Program to Incorporate Business Assets into the Formal Sector	SDS	I	10-Mar-04	Approved	2,600,000	0.00
38	MIF/AT-597	ME-M1005	EQU/MS-8763-ME	Venture Financing for Mexican early-stage technology firms	LIMVCF	IIIb	07-Jul-04	Approved	5,000,000	0.00
39	MIF/AT-597	ME-M1005	ATN/ME-8764-ME	Venture Financing for Mexican early-stage technology firms	LIMVCF	IIIa	07-Jul-04	Approved	75,000	0.00
40	MIF/AT-611	ME-M1003	ATN/ME-8864-ME	Implement Corporate Social Responsibility Measures in SMEs	ANAHUAC	IIIa	22-Sep-04	In execution	1,275,000	10.00
Total MIF Amount									67,038,542	